GREAT FOOD INDUSTRIES SDN BHD v. MAZLAN MAHAMAD ISA & ORS

HIGH COURT MALAYA, KUALA LUMPUR
YUSRIN FAIDZ YUSOFF JC
[SUIT NO: WA-22IP-53-08-2019]
16 FEBRUARY 2024

Abstract – *In a proceeding involving trademark infringement and passing off, it is a well-established legal principle that the relevant approach in determining damages is to either evaluate the profits gained by the infringing party or to grant damages reflecting the financial loss experienced by the plaintiff. In a case where there is no evidence that an infringing act has caused loss of business profit, a claim for damages related to loss of business profit should be disallowed. However, whilst loss of business profit is directly linked to the sale of the infringing goods, loss of goodwill is attached to the brand rather than the goods. Therefore, even in an absence of evidence demonstrating the sale of the infringing goods, a claimant is legally entitled to loss of goodwill and exclusivity rights, especially when the plaintiff's ability to enjoy the full extent of their goodwill is compromised by the defendant's use of the reputation or goodwill as he likes. Malice or bad faith on the part of the defendant would entitle the plaintiff to an award of aggravated damages as well as exemplary damages, more so when it is proven that the defendant had actually profited from the tort.*

TORT: *Passing off – Conspiracy to injure – Unlawful interference with trade – Liability – Damages – Quantum of – Claim for loss of business profits – Whether infringing acts caused loss of business profit – Claim for loss of goodwill – Whether attached to brand – Claim for aggravated damages – Whether harm inflicted intensified by malice – Claim for exemplary damages – Whether any party profited from tort committed*

DAMAGES: *Quantum of – Passing off – Conspiracy to injure – Unlawful interference with trade – Loss of business profits – Whether infringing acts caused loss of business profit – Loss of goodwill – Whether attached to brand – Aggravated damages – Whether harm inflicted intensified by malice – Exemplary damages – Whether any party profited from tort committed*

This judgment concerned the quantum of damages that was awarded to the plaintiff in a trademark infringement/passing off action that it initiated against the third defendant. The trial was initially filed against several defendants, but some actions were discontinued due to out of court settlements. The trial in respect of liability had proceeded against the third

defendant and the sixth defendant where it was held (i) the plaintiff's claim against the third and sixth defendants for the infringement of, and/or causing the first and the second defendants, to infringe, the plaintiff's copyright for the plaintiff's trademark was dismissed; (ii) the plaintiff's claim against the third defendant for passing off, conspiracy to injure the plaintiff and unlawful interference with the plaintiff's trade was allowed; and (iii) the plaintiff's claim against the sixth defendant for passing off, conspiracy to injure the plaintiff and unlawful interference with the plaintiff's trade was dismissed. Both the plaintiff and the third defendant filed an appeal against the said issue of liability. The plaintiff submitted that (i) the plaintiff was rightfully entitled to a loss of business profit amounting to RM197,795.77. To substantiate their claim, the plaintiff presented a comprehensive analysis of its sales, percentage progress of sales and profit before tax, drawing from financial records and asserted that their calculations indicate a 3.42% reduction in the average percentage progress of sales for the years 2020 to 2022. According to the plaintiff, this decline was attributed to the wrongful acts of passing off, conspiracy to injure and unlawful interference with trade committed by the third defendant from 2019 to 2022; (ii) that the plaintiff was rightfully entitled to a loss of goodwill of RM300,000 and that the said sum was justifiable to account for loss of goodwill for a seven-year-old brand wherein the infringement and/or passing off occurred for a four year period (2019 to 2022); (iii) on the issue of legal costs, the plaintiff could claim a total sum of RM440,719.15 being legal fees incurred by them in initiating the originating summons to remove the NAYATI mark wrongfully registered by the first defendant, as well as the legal fees for the current writ which involved a total of six interlocutory applications that the plaintiff had to apply for and/or defend, amongst others, including the application for an *Anton Piller* order ('APO') and an application to amend the writ and statement of claim to reflect the new facts discovered during the APO raid; and (iv) that the facts showed there was malice or bad faith on the part of the third defendant which entitled the plaintiff to an award of aggravated damages in the sum of RM200,000. A further sum of RM200,000 was also argued by the plaintiff to be reasonable for exemplary damages.

Held (ordering third defendant to pay damages to plaintiff):

(1) Damages for the infringement of intellectual property rights were tortious in nature; with the objective to restore the plaintiff to the position he would have been in had the defendant not infringed. The burden was on the plaintiff to prove the loss actually sustained was by reason of the defendant's conduct. In this case, the COVID-19 pandemic and the associated Movement Control Orders had a profound and direct impact on the food industry, leading to a reduction in sales or at least a reduction in percentage progress of sales due to restrictions on

operations, changes in consumer behaviour and disruptions in the supply chain. Further, the plaintiff's computation deviated from the accurate assessment of the 'loss of business profits' attributable to the diversion of the plaintiff's customers to the third defendant's purported nominee, the first defendant. Elements such as the plaintiff's sale of products unrelated to the infringed goods, along with tax considerations, were not taken into account on their calculation. There was also no evidence that the third defendant's infringing acts had caused the plaintiff's loss of business profit. There was no evidence of any sample or trap purchase of the alleged infringing product. Since there was no infringing product available in the market, it was not possible to derive to the computation to measure any diversion of the plaintiff's customer to the defendant. Therefore, the plaintiff's use of the plaintiff's sales figure alone would not be correct. Thus, the claim for damages related to the loss of business profit should be disallowed. (paras 17-21)

(2) Loss of goodwill is attached to the brand rather than the goods. Therefore, despite the absence of evidence demonstrating the sale of the infringing goods by the third defendant or his proxies, the plaintiff was legally entitled to the loss of goodwill and exclusivity rights. The sum of RM80,000 was awarded under this head of damage. Considerations in determining this amount included the active participation of the third defendant in the first defendant's registration of the plaintiff's NAYATI mark with MyIPO and the third defendant's involvement in the registration of a domain name or website incorporating the plaintiff's NAYATI mark. Such unlawful act of holding out coupled with the bad-faith registration at MyIPO which persisted for four years gave the impression that the first defendant (based on the third defendant's actions) was, at the material time, the owner of the plaintiff's mark and brand, despite the contrary reality. (paras 28 & 29)

(3) As for legal costs, on the issue of Invoice Nos IN000702, IN000790 and IN000756, they originated from another suit and amounted to special damages which had to be specifically pleaded in the body of the statement of claim of the current suit. They were of a different category if compared with the legal costs to be awarded as part of an assessment of damages. The fact that the particulars were not pleaded in the body of the current suit defeated the claim. During the finding of liability, it was observed that the third defendant was not the mastermind behind the registration of the NAYATI mark by the first defendant. Nevertheless, this court allowed Invoice Nos IN000703 and 9128003745 as the exercise of the APO order was necessary in the discovery of the third defendant's identity and involvement in the alleged conspiracy leading to the infringement of the plaintiff's mark. Despite not being identified as the mastermind, the third defendant was

held to be involved in the conspiracy to injure and was found to have committed the tort of unlawful interference of trade against the plaintiff. On the issue of Invoice Nos IN000726, IN000835, IN000876, IN000911 and IN0001610, the same had nothing to do with the third defendant and therefore were unclaimable. (paras 37-39)

(4) Aggravated damages fall within the compensatory framework and refer to the aggravation – etymologically, the making more serious – of injury caused to the plaintiff by the defendant's conduct where a basic award would be inadequate. In particular, they are ordered to compensate for the shock, distress, outrage and similar emotions experienced by the plaintiff as a result of the aggravating features of the case. The courts seem undeterred from awarding aggravated damages, even in situations where the plaintiff experienced minimal or brief distress. The injured feelings experienced by the plaintiff was just one facet to be considered in assessing aggravated damages. The crucial factor lay in whether the harm inflicted on the plaintiff had been intensified by malice or by the manner in which the injury was perpetrated – specifically, the insolence or arrogance accompanying it. Hence, applying the approach of the English Court of Appeal in *Messenger Newspapers Group Ltd v. National Graphical Association,* the plaintiff herein was entitled to the aggravated damages. The amount of RM100,000 reflected the severity of the injury, taking into account the malice or insolence accompanying the wrongful conduct specific to the facts of this case. (paras 47-62)

(5) The claim for exemplary damages by the plaintiff fell under the category of cases where the defendant's conduct had been calculated by him to make a profit for himself which may well exceed the compensation payable to the plaintiff. The central issue was whether the plaintiff had to prove that the third defendant had actually profited from the tort before exemplary damages could be awarded. Firstly, the use of the phrases 'has calculated' and 'will probably exceed' underscores that the plaintiff's burden was merely to demonstrate the potential for profit, rather than the actual realisation of profit. Secondly, the second category of cases was not limited to strict monetary gains. It encompasses situations where the defendant is actively attempting to benefit at the expense of the plaintiff. This interpretation was applicable herein, where the third defendant had taken actions beyond mere preparation, aiming to achieve the intended outcome of capitalising on the goodwill associated with the plaintiff's NAYATI mark. (paras 63-68)

(6) The plaintiff's ability to enjoy the full extent of their goodwill was compromised by the third defendant's use of the reputation or goodwill as he likes. As the plaintiff had been using the NAYATI mark for seven years prior to the infringement, they had required valuable reputation or

goodwill wherein the law of passing off would protect it from unlicensed use and the bad faith registration by the third defendant (through the first defendant) who mistakenly believed that our legal system adheres to the first-to-file principle. Such unlawful use by the third defendant was damaging in the direct sense that it involved the promotion of the first defendant's products under the guise that they were from the plaintiff. The plaintiff had to endure four years of litigation to remove the bad faith registration of their NAYATI mark at MyIPO. Evidence also revealed that the third defendant placed an order for packaging stickers bearing the NAYATI mark from the second defendant, with the intention of applying them to the first defendant's product. The insidious nature of the third defendant's action was far from subtle, and it unquestionably ran counter to the public interest. Therefore, the sum of RM100,000 as exemplary damages was adequate to teach the third defendant that tort does not pay. Thus, the third defendant was ordered to pay the plaintiff a total sum of RM492,783.96 as damages. (paras 69-71)

Case(s) referred to:

Bullock v. London General Omnibus Co [1907] 1 KB 264 ***(refd)***
Carroll v. Kynaston [2010] EWCA Civ 1404 ***(refd)***
Chong Siew Chiang v. Chua Ching Geh & Anor [1995] 1 CLJ 173 HC ***(refd)***
Cockburn v. Edwards [1881] 18 Ch D 449 ***(refd)***
Collins Stewart Ltd & Another v. The Financial Times Ltd (No 2) [2005] EWHC 262 ***(refd)***
Dormeuil Freres SA And Another v. Feraglow Limited And Another [1990] RPC 449 ***(refd)***
Eaton Mansions (Westminster) Ltd v. Stinger Compania De Inversion SA [2013] EWCA Civ 1308 ***(refd)***
General Tire And Rubber Co v. Firestone Tyre And Rubber Co Ltd [1976] RPC 197 ***(refd)***
Guangdong Foodstuffs Import & Export (Group) Corporation v. Tung Fook Chinese Wine (1982) Co Ltd And Another HCA011061A/1995 ***(refd)***
Hammond & Co v. Bussey [1887] 20 QBD 79 ***(refd)***
In Re Lindsay Bowman Ltd [1969] 1 WLR 1443 ***(refd)***
Kembang Serantau Sdn Bhd v. YBK Usahasama Sdn Bhd [2018] CLJU 206; [2018] 1 LNS 206 HC ***(refd)***
Koperal Zainal Mohd Ali & Ors v. Selvi Narayan (Pentadbir Bersama Estet Dan Tanggungan Chandran Perumal, Si Mati) & Anor [2021] 6 CLJ 157 FC ***(refd)***
Lau Yang Kim v. Rescom Australia Sdn Bhd & Anor [2020] 4 CLJ 130 HC ***(dist)***
Leather Cloth Company v. Hirschfield [1865] LR 1 Eq 299 ***(refd)***
Leing Ti Kang v. Lau Tian Kit & Another Case [2022] CLJU 1758; [2022] 1 LNS 1758 HC ***(refd)***
Lembaga Kemajuan Tanah Persekutuan (Felda) & Anor v. Awang Soh Mamat & Ors [2009] 5 CLJ 1 CA ***(refd)***
Ling Peek Hoe & Anor v. Ding Siew Ching & Ors [2022] 7 CLJ 412 HC ***(refd)***
Lo Foi v. Lee Ah Hong & Ors [1998] 1 CLJ Supp 244 HC ***(refd)***
MD Biomedical Engineering (M) Sdn Bhd v. Goh Yong Khai [2021] 6 CLJ 30 CA ***(refd)***
Messenger Newspapers Group Ltd v. National Graphical Association [1984] IRLR 397 ***(refd)***
Morris And Others v. Bank Of India [2005] EWCA Civ 693 ***(refd)***
OCBC Bank (Malaysia) Bhd v. Prolink Marketing Sdn Bhd & Another Appeal [2023] 3 CLJ 328 CA ***(refd)***

Ong Ah Long v. Dr S Underwood [1983] 2 CLJ 198; [1983] CLJ (Rep) 300 FC ***(refd)***
Pneumatic Tyre Co Ltd v. Puncture Proof Pneumatic Tyre Co Ltd [1899] 16 RPC 209 ***(refd)***
Prince Manufacturing Inc And Another v. ABAC Corporation Australia Pty Ltd And Another (1984) 57 ALR 159 ***(refd)***
Public Islamic Bank Bhd v. Fadhil Husseiin Ishak Yassin Mansor; Ms Citajaya Sdn Bhd (Proposed Intervener) [2022] CLJU 3115; [2022] 1 LNS 3115 HC ***(refd)***
Raub Australian Gold Mining Sdn Bhd v. Mkini Dotcom Sdn Bhd & Ors [2018] CLJU 62; [2018] 1 LNS 62 CA ***(refd)***
Rookes v. Barnard [1964] 1 All ER 367 ***(refd)***
Sadiah Ismail v. Ong Suan & Anor [1999] 5 CLJ 250 HC ***(refd)***
Sambaga Valli KR Ponnusamy v. Datuk Bandar Kuala Lumpur & Ors And Another Appeal [2017] CLJU 500; [2017] 1 LNS 500 CA ***(refd)***
Sanderson v. Blyth Theatre Co [1903] 2 KB 533 ***(refd)***
Schwan-Stabilo Marketing Sdn Bhd & Anor v. S & Y Stationery & Ors [2018] 9 CLJ 384 HC ***(refd)***
Shah v. Gale And Ashley v. Chief Constable of Sussex Police [2005] EWHC 1087 ***(refd)***
Soo Kian Huat v. Zenith Aim Sdn Bhd [2016] CLJU 977; [2016] 1 LNS 977 HC ***(refd)***
Spalding (AG) & Bros v. AW Gamage Ltd And Benetfink & Co Ltd [1915] 32 RPC 273 ***(refd)***
Sunseekers Pte Ltd v. JSH Joshua [1990] 1 CLJ 1048; [1990] 3 CLJ (Rep) 979 ***(refd)***
Syarikat Faiza Sdn Bhd & Anor v. Faiz Rice Sdn Bhd & Anor And Another Suit [2019] 8 CLJ 564 HC ***(refd)***
Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors [2011] 3 CLJ 837 FC ***(refd)***
Tamileswaaran Ravi Kumar v. Election Commission Of Malaysia & Anor [2023] 5 CLJ 983 HC ***(refd)***
Tan Mei Li & Ors v. Golden Regal Restaurant Sdn Bhd [2013] CLJU 364; [2013] 1 LNS 364 HC ***(refd)***
The Commissioners Of Inland Revenue v. Muller & Co's Margarine, Limited [1901] AC 217 ***(refd)***
The United Horse-Shoe And Nail Co Ltd v. John Stewart And Co [1888] 5 RPC 260 ***(refd)***
Tradewinds Properties Sdn Bhd v. Zulhkiple A Bakar & Ors [2019] 2 CLJ 261 CA ***(refd)***
Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd [2007] 6 CLJ 228 CA ***(refd)***
Yap Soo Ping & Anor v. Kee Wah Soong [2018] CLJU 1020; [2018] 1 LNS 1020 HC ***(refd)***
Yong Sze Fun & Anor v. Syarikat Zamani Hj Tamin Sdn Bhd & Anor [2011] CLJU 1307; [2011] 1 LNS 1307 CA ***(refd)***

Legislation referred to:
Civil Law Act 1956, s. 8(2)(a)
Companies Act 2016, ss. 207(5), 277(6), 279(6), 283(7), 305(1), 325, 540(1)
Rules of Court 2012, O. 37 r. 1, O. 59

Companies Act 1948 [UK], s. 353(6)

Other source(s) referred to:
Harvey McGregor, *Mcgregor On Damages*, 16th edn, pp 1261-1262 & 1653

For the plaintiff - Sri Richgopinath & Nur Muhaimin; M/s Joel & Mei
For the 3rd defendant - Kok Pok Chin & Ng Pau Chze; M/s PC Kok & Co

Reported by Suhainah Wahiduddin

JUDGMENT

Yusrin Faidz Yusoff JC:

Introduction

[1] This judgment concerned the quantum of damages that was awarded to the plaintiff in a trademark infringement/passing off action that it initiated against the third defendant ("D3"). The said judgment dated 23 October 2023 resulted in the appeal by both sides, namely the appeal filed by D3 on 15 November 2023, and the cross-appeal filed by the plaintiff on 17 November 2023.

[2] Following an assessment of damages in accordance with a notice issued under O. 37 r. 1 of the Rules of Court 2012 ('the Rules'), I granted the total sum of RM492,783.96, along with costs of RM5,000, in favour of the plaintiff. My decision encompasses the following:

(i) with regard to loss of business profit, I held that the plaintiff is not entitled to this head of damage;

(ii) with regard to loss of goodwill, I awarded the sum of RM80,000;

(iii) with regard to legal costs incurred, I awarded the sum of RM212,783.96 (the allowed invoices are: IN000703, IN001181, IN001395, IN001414, IN001517 and 9128003745);

(iv) aggravated damages in the sum of RM100,000;

(v) exemplary damages in the sum of RM100,000; and

(vi) interest at 5% per annum on the judgment sum to be calculated from 7 November 2022 until the date of full realisation.

[3] Essentially, D3 is appealing against part of my aforesaid decision, namely the RM80,000 awarded for loss of goodwill, the RM212,783.96 awarded for legal costs incurred, the RM100,000 awarded for aggravated damages, and the RM100,000 awarded for exemplary damages. Meanwhile, the plaintiff is cross-appealing against my decision to disallow compensation for their loss of profit, and the quantum awarded for legal costs, namely the reduced amount of RM212,783.96 for legal fees. This judgment is prepared for, and equally applies to, both appeals.

Background Facts

[4] This suit was filed against the first and second defendants ("D1" and "D2") on 15 August 2019. On 17 January 2020, the plaintiff was allowed to include the third, fourth, fifth and sixth defendants ("D3" to "D6") as additional parties to this suit.

[5] The action against D2 was discontinued on 20 September 2019 following an out-of-court settlement. Judgment in default of defence was entered against D1 on 8 July 2020. Whereas the action against D4 and D5 was discontinued on 4 March 2022 following another out-of-court settlement.

[6] The trial in respect of liability therefore proceeded against D3 and D6 wherein on 7 November 2022, my predecessor held as follows:

(i) the plaintiff's claim against D3 and D6 for the infringement of, and/or causing D1 and D2 to infringe, the plaintiff's copyright for the plaintiff's trademark was dismissed;

(ii) the plaintiff's claim against D3 for passing off, conspiracy to injure the plaintiff and unlawful interference with the plaintiff's trade was allowed; and

(iii) the plaintiff's claim against D6 for passing off, conspiracy to injure the plaintiff an unlawful interference with the plaintiff's trade was dismissed.

[7] Both the plaintiff and D3 filed an appeal against my predecessor's decision on the issue of liability; wherein the same is now pending before the Court of Appeal in Appeal No. W-02(IPCv)(W)-2266-12/2022.

[8] The plaintiff subsequently filed for assessment of damages wherein they sought a total sum of RM1,338,514.92. This is based on paras. 10 and 11 of my predecessor's judgment dated 7 November 2022 which reads as follows:

> (10) Satu siasatan tentang kerugian yang dialami oleh Plaintif, atau menurut pilihan Plaintif akaun keuntungan yang dibuat oleh Defendan Ketiga, daripada tindakan-tindakan kelirupaan, campur tangan perdagangan yang menyalahi undang-undang dan/atau konspirasi dengan niat untuk mencederakan Plaintif ("Conspiracy To Injure"), dan membayar semua jumlah setelah mengambil kira siasatan tersebut kepada Plaintif;
>
> (11) Gantirugi-gantirugi lain untuk ditaksirkan;

[9] As indicated above, I however approved the amount of RM492,783.96. The focus of the appeal and cross-appeal is solely on the assessment of damages, specifically addressing the principles applied in evaluating damages concerning the stated cause of action.

Loss Of Business Profit

Counsels' Contentions On Loss Of Business Profit

[10] The plaintiff's counsel, Sri Richgopinath, contends that the plaintiff is rightfully entitled to a loss of business profit amounting to RM197,795.77. It is argued that their calculation under this head of damage is based on the

accepted accounting concept of 'loss of net profit' wherein they draw reference to the Federal Court's case of *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* [2011] 3 CLJ 837.

[11] To substantiate their claim, the plaintiff presented a comprehensive analysis of its sales, percentage progress of sales, and profit before tax, drawing from financial records spanning from 2016 to 2021. Specifically, the plaintiff asserts that their calculations indicate a 3.42% reduction in the average percentage progress of sales for the years 2020 to 2022. According to the plaintiff, this decline is attributed to the wrongful acts of passing off, conspiracy to injure, and unlawful interference with trade committed by D3 from 2019 to 2022. The plaintiff claims that the calculation of the loss of business profit stems from this observed reduction.

[12] On the other hand, D3's counsel, Kok Pok Chin, posits that the plaintiff's assertion of loss of business profit encompasses a period marked by the widespread impact of the COVID-19 pandemic. According to this argument, the reduction in percentage progress of sales is attributed to the Malaysian Government's imposition of various Movement Control Orders, significantly affecting numerous businesses. D3 contends that the impact of the COVID-19 pandemic can be judicially noticed, citing cases such as *Public Islamic Bank Bhd v. Fadhil Husseiin Ishak Yassin Mansor; Ms Citajaya Sdn Bhd (Proposed Intervener)* [2022] CLJU 3115; [2022] 1 LNS 3115; [2023] 2 MLRH 873 and *Tamileswaaran Ravi Kumar v. Election Commission Of Malaysia & Anor* [2023] 5 CLJ 983; [2023] MLRHU 623.

[13] Additionally, D3 contends that the plaintiff did not incur any loss in business profit since the purported infringing product by D1 does not exist in the market; and the fact that the formula applied to calculate the loss of business profit is flawed as it did not follow the *ratio* in the case of *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* (*supra*).

Court's Findings On Loss Of Business Profit

[14] In a proceeding involving trademark infringement and passing off, it is a well-established legal principle that the relevant approach in determining damages is to either to evaluate the profits gained by the infringing party or to grant damages reflecting the financial loss experienced by the plaintiff. (See: *Dormeuil Freres SA And Another v. Feraglow Limited And Another* [1990] RPC 449).

[15] The typical principal head of damage would be the loss of business profits arising from the redirection of the plaintiff's customers to the defendant due to the misrepresentation by the defendant. (See: *Prince Manufacturing Inc And Another v. ABAC Corporation Australia Pty Ltd And Another* (1984) 57 ALR 159; [1984] FCA 356 and *Guangdong Foodstuffs Import & Export (Group) Corporation v. Tung Fook Chinese Wine* (1982) *Co Ltd And Another* HCA011061A/1995).

[16] In *McGregor on Damages* (16th edn), at paras. 1947 to 1948 at pp. 1261 to 1262, it is observed as follows:

> Little attention has been given to the assessment of damages despite the many cases of passing off in the reports. *Spalding v. Gamage* and *Draper v. Trist* are the only cases of importance. The principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation; beyond this, damages may be awarded for any loss of business goodwill and reputation resulting from the passing off. Damages under both these heads were held to be properly awarded in *Spalding v. Gamage* [1918] 35 RPC 101, CA a result which has never since been doubted. *Draper v. Trist* [1939] 3 All ER 513, CA dealt with a more complex situation where the defendant had passed off goods by selling them to middlemen, and there was no evidence that the middlemen resold. In these circumstances it was held that the plaintiff's loss of profits could not be a relevant consideration in assessing the loss but that the plaintiff was entitled to damages by reason of the presence of the deceptive goods on the market, damages which included a sum for loss of reputation. Also, the plaintiff should be able to recover for further loss of profits through reduction of his prices, provided that the reduction is necessary to compete with the goods passed off by the defendant.

[17] The burden is on the plaintiff to prove the loss actually sustained by reason of the defendant's conduct. Damages for the infringement of intellectual property rights are tortious in nature; with the objective to restore the plaintiff to the position he would have been in had the defendant not infringed. (See: *General Tire And Rubber Co v. Firestone Tyre And Rubber Co Ltd* [1976] RPC 197). In the case of *Spalding (AG) & Bros v. AW Gamage Ltd And Benetfink & Co Ltd* [1915] 32 RPC 273, the plaintiff is entitled to "such damages as naturally flow from their unlawful act, and that there is no artificial limitation in the case of a passing off action" (per Lord Parker of Waddington). It cannot also be presumed that the amount of goods sold by the defendant under an infringing trademark would have been sold by the plaintiff if not for the defendant's unlawful use of the trademark (see: *Leather Cloth Company v. Hirschfield* [1865] LR 1 Eq 299). Speculative and unproven damage are also excluded (see: *The United Horse-Shoe And Nail Co Ltd v. John Stewart And Co* [1888] 5 RPC 260 & *Pneumatic Tyre Co Ltd v. Puncture Proof Pneumatic Tyre Co Ltd* [1899] 16 RPC 209).

[18] In considering the arguments presented above, it appears logical to agree with D3's proposition that the claim for damages regarding loss of business profit should be disallowed. Firstly, I would agree to apply judicial notice and observe that the COVID-19 pandemic and the associated Movement Control Orders had a profound and direct impact on the food industry, leading to a reduction in sales or at least a reduction in the percentage progress of sales due to restrictions on operations, changes in consumer behaviour, and disruptions in the supply chain.

[19] Secondly, I observe that the plaintiff's computation deviates from the accurate assessment of the 'loss of business profits' attributable to the diversion of the plaintiff's customers to D3's purported nominee, D1. Elements such as the plaintiff's sale of products unrelated to the infringed goods, along with tax considerations, were not taken into account in their calculation. This is so as the five-year average sale of the infringed brand in the sum of RM4 million represents a mere 14.8% of the plaintiff's five-year average revenue (income) of RM27 million. This goes to show that the plaintiff was selling other brands of which statistics and particulars were not disclosed for the court's consideration.

[20] Thirdly, and more importantly, there is no evidence that D3's infringing acts have caused the plaintiff's loss of business profit. Based on the notes of evidence, the plaintiff has given evidence that D3 (through D1) has never sold any product containing the plaintiff's mark. There is no evidence of any sample or trap purchase of the alleged infringing product. The plaintiff also gave sworn testimony that D1's alleged infringing product did not exist in the market and the plaintiff did not suffer any damages. This can be seen in the testimony of plaintiff's witness which is reproduced as follows:

KPC	Tapi sekarang barang itu tidak ada di pasaran jadi tak rugi apa-apa. Setuju?
KHC	Ya
...	
KPC	... Jadi, adakah kamu setuju Plaintif tidak mengalami apa-apa kerugian atau kehilangan kerana Plaintif, penjualan Plaintif semakin meningkat setiap tahun. Setuju?
KHC	... Pada masa sekarang belum lagi jadi ...

[21] Since there is no infringing product available in the market, it is not possible to derive to the computation to measure any diversion of the plaintiff's customer to the defendant following the *ratio* in *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* (*supra*); where the proper method of calculation for loss of business profit is based on the defendant's sales multiplied by the defendant's profit margin. This method is as expounded by the Court of Appeal in the case of *Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd* [2007] 6 CLJ 228; [2007] 2 MLRA 274 wherein the damages for passing off was calculated based on the defendant's sales and the defendant's profit margin. Therefore, the plaintiff's use of the plaintiff's sales figure alone would not be correct. In fact, based on the evidence of the plaintiff's own witness, there has been a rise in sales during the scrutinised period. Considering this evidence, I firmly believe that the claim for damages related to the loss of business profit should be disallowed.

Loss Of Goodwill

Counsels' Contentions On Loss Of Goodwill

[22] The plaintiff contends that they are rightfully entitled to a loss of goodwill of RM300,000. In support of this contention, they rely on the case of *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* (*supra*) wherein the Federal Court held that such loss of goodwill and reputation is presumed wherein the sum to be awarded is a matter of discretion. In that case, the sum of RM50,000 awarded by the High Court was affirmed by the Federal Court. The case of *Tan Mei Li & Ors v. Golden Regal Restaurant Sdn Bhd* [2013] CLJU 364; [2013] 1 LNS 364 is relied to show that the sum of RM100,000 was awarded for loss of goodwill of a ten-year-old business for an infringement lasting for a period of slightly over one year; an entitlement of which was held to be presumed following the *ratio* in *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* (*supra*). The cases of *Schwan-Stabilo Marketing Sdn Bhd & Anor v. S & Y Stationery & Ors* [2018] 9 CLJ 384 and *Syarikat Faiza Sdn Bhd & Anor v. Faiz Rice Sdn Bhd & Anor And Another Suit* [2019] 8 CLJ 564; [2018] MLJU 1749 were relied by the plaintiff to show that the loss of goodwill awarded by court was in the sum of RM300,000 and RM100,000 respectively.

[23] The plaintiff further argues that the loss of goodwill and reputation should not be artificially limited with reference to the loss of business profit. In support of this, it is argued that the loss of goodwill awarded in *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* (*supra*) was RM50,000 despite the fact that the loss of business profit stood at RM32,726.70. Similarly, in *Tan Mei Li & Ors v. Golden Regal Restaurant Sdn Bhd* (*supra*), RM100,000 was granted as a loss of goodwill despite the fact that the aggregate loss of profits only stood at RM45,698.75; wherein the award is said to be an exercise of the court's discretion.

[24] The plaintiff therefore argues that the sum of RM300,000 is justifiable to account for the loss of goodwill for a seven-year-old brand wherein the infringement and/or passing off occurred for a four-year period (2019 to 2022).

[25] D3's submission on the issue of loss of goodwill is straightforward in that in a situation where there are no infringing goods in the market, the plaintiff cannot claim for loss of goodwill. The cases such as *Taiping Poly (M) Sdn Bhd v. Wong Fook Toh & Ors* (*supra*) and *Tan Mei Li & Ors v. Golden Regal Restaurant Sdn Bhd* (*supra*) are argued to be distinguished on its facts as in both of these cases loss of business profit was awarded signifying existence of sale of infringing product.

Court's Findings On Loss Of Goodwill

[26] The crucial question at hand is whether the plaintiff is eligible for compensation for the loss of goodwill and business reputation, especially when the court has declined to award loss of business profit for the absence of infringing products.

[27] In the case of *Yong Sze Fun & Anor v. Syarikat Zamani Hj Tamin Sdn Bhd & Anor* [2011] CLJU 1307; [2011] 1 LNS 1307; [2012] 2 MLRA 404, the Court of Appeal elucidated the concept of "goodwill," referencing the House of Lords in *The Commissioners Of Inland Revenue v. Muller & Co's Margarine, Limited* [1901] AC 217:

> "goodwill is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom." (para 12)

> "I understand the word "goodwill" to include whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers, and agreed absence from competition ... " (para 21)

[28] Whilst loss of business profit is directly linked to the sale of the infringing goods, loss of goodwill is attached to the brand rather than the goods. Therefore, despite the absence of evidence demonstrating the sale of the infringing goods by D3 or his proxies, my perspective is that the plaintiff is legally entitled to loss of goodwill and exclusivity rights. In exercising my discretion, the sum of RM80,000 is awarded under this head of damage.

[29] Considerations in determining this amount include the active participation of D3 in D1's registration of the plaintiff's NAYATI mark with MyIPO and D3's involvement in the registration of a domain name or website (www.nayati.com.my) incorporating the plaintiffs NAYATI mark. Such unlawful act of holding out coupled with the bad faith registration at MyIPO *via* Trade Mark No. 2018010845 which persisted for four years gave the impression that D1 (based on D3's actions) was, at the material time, the owner of the plaintiff's mark and brand, despite the contrary reality.

Legal Costs Incurred

Counsels' Contentions On Legal Costs Incurred

[30] On the issue of legal costs incurred, the plaintiff claims a total sum of RM440,719.15 being legal fees incurred by them in initiating the originating summons to remove the NAYATI mark wrongfully registered by D1, as well as the legal fees for the current writ which involves a total of six interlocutory applications that the plaintiff had to apply for and/or defend, amongst others, including the application for an *Anton Piller* order ("APO") and an

application to amend the writ and statement of claim to reflect the new facts discovered during the APO raid and to include the D3 to D6 as parties. The following table summarises D3's claim, and those allowed by me:

NO.	DATE	INVOICE NO.	TOTAL (RM)	INVOICES ALLOWED
1.	28.08.2019	IN000702	45,387.19	-
2.	28.08.2019	IN000703	53,227.61	53,227.61
3.	29.10.2019	IN000726	43,398.63	-
4.	17.01.2020	IN000756	53,733.41	-
5.	24.03.2020	IN000790	34,015.19	-
6.	15.07.2020	IN000835	16,090.48	-
7.	14.09.2020	IN000876	16,560.38	-
8.	19.10.2020	IN000911	16,181.96	-
9.	09.09.2021	IN001181	33,352.53	33,352.53
10.	12.05.2022	IN001395	35,163.38	35,163.38
11.	30.05.2022	IN001414	36,419.38	36,419.38
12.	12.09.2022	IN001517	33,067.34	33,067.34
13.	02.12.2022	IN001610	2,567.95	-
14.	11.09.2019 (Deloitte Corporate Solutions Sdn Bhd)	9128003745	21,553.72	21,553.72
TOTAL SUM			440,719.15	212,783.96

[31] The plaintiff posits that based on the Court of Appeal's case of *MD Biomedical Engineering (M) Sdn Bhd v. Goh Yong Khai* [2021] 6 CLJ 30; [2021] 5 MLJ 408, the scope of legal costs does not encompass the costs of the action, which are recoverable only upon the assessment of damages. Reference is also made to the cases of *Yap Soo Ping & Anor v. Kee Wah Soong* [2018] CLJU 1020; [2018] 1 LNS 1020; [2018] MLJU 1449 and *Leing Ti Kang v. Lau Tian Kit & Another Case* [2022] CLJU 1758; [2022] 1 LNS 1758; [2022] MLJU 1793 to support the argument that successful litigants are entitled to claim legal fees and charges as part of the damages assessment. It is argued that such loss *ie*, legal fees incurred, come within the meaning of 'the tortious damage' and the 'foreseeability test' as defined in the case of *Lo Foi v. Lee Ah Hong & Ors* [1998] 1 CLJ Supp 244; [1997] MLJU 310.

[32] Solicitors for D3 firstly argue that to allow the plaintiff's claim costs as damages would make both the Courts of Judicature Act 1964 and the Rules of Court 2012 ineffective and redundant. It is argued that the lawyer's fees, costs and charges should be claimed under O. 59 of the Rules and not

under O. 37. Secondly, D3 submits that none of the invoices, which purportedly forms special damages, were pleaded in the plaintiff's statement of claim. (See: *Lau Yang Kim v. Rescom Australia Sdn Bhd & Anor* [2020] 4 CLJ 130; [2020] MLRHU 388 & *Ong Ah Long v. Dr S Underwood* [1983] 2 CLJ 198; [1983] CLJ (Rep) 300; [1983] 1 MLRA 154).

[33] Specific to the invoices before this court, D3 submitted as follows:

(i) Invoice Nos. IN000702, IN000756, IN000790 and IN000756 were related to another suit *ie*, WA-24IP-9-05/2019 which does not involve D3. The said suit was filed by the plaintiff to have D1's registration of the NAYATI mark at MyIPO (Trade Mark No. 2018010845) cancelled. As such, D3 argues the legal fees of the cancellation suit against D1 should not be imposed on D3;

(ii) Invoice Nos. IN000703 and 9128003745 were objected as it pertains to the *Anton Piller* order against D2, which has nothing to do with D3. In particular, the plaintiff had on 20 September 2019 withdrew their claim against D2 with no order as to costs;

(iii) Invoice Nos. IN000726 and IN001610 were objected as it pertains to work in respect of D1 and D2, which has nothing to do with D3;

(iv) Invoice Nos. IN000835, IN000876 and IN000911 were objected as they were incurred in respect of work conducted against D4 and D5. Based on the records, the plaintiff had withdrawn their action against D4 and D5 with no order as to costs; and

(v) Invoice Nos. IN001181, IN001395, IN001414, and IN001517 were generated for the present lawsuit, falling within the purview of the taxation hearing as per the judgment dated 7 November 2022. This could result in a duplication of claims.

Court's Findings On Legal Costs Incurred

[34] In general, a party cannot recover costs of the action by way of damages. In *Cockburn v. Edwards* [1881] 18 Ch D 449, Jessel MR held at p. 459 that:

> The most important point is as to the costs as between solicitor and client. I am of opinion that it is not according to law to give to a party by way of damages the costs as between solicitor and client of the litigation in which the damages are recovered. The law gives a successful litigant his costs as between party and party, and he cannot be said to sustain damage by not getting them as between solicitor and client. I have conferred with my colleagues as to the damages, and we agree to fix them at £10.

[35] In *Kembang Serantau Sdn Bhd v. YBK Usahasama Sdn Bhd* [2018] CLJU 206; [2018] 1 LNS 206; [2017] MLJU 2165, the court held that legal fees are not claimable as part of the damages. See also: *Sunseekers Pte Ltd v. JSH*

Joshua [1990] 1 CLJ 1048; [1990] 3 CLJ (Rep) 979 and *Carroll v. Kynaston* [2010] EWCA Civ 1404. Legal costs of an action are distinct from damages. See: *Sadiah Ismail v. Ong Suan & Anor* [1999] 5 CLJ 250 at 252.

[36] The exception to the general principle was formulated in the case of *Hammond & Co v. Bussey* [1887] 20 QBD 79, where the UK Court of Appeal held that legal costs incurred by plaintiffs defending proceedings brought by a third party (sub-buyer) could be recovered as damages from the defendant, on the basis that they were damages that were reasonably within the parties' contemplation as being probable as a result of the defendant's breach of contract:

> according to a reasonable business view of the reasonably probable course of business, the parties may be supposed to have contemplated, at the time when the contract was made, as the inevitable or at any rate the highly probable result of a breach of it, that there would be a lawsuit between the plaintiffs and their (sub-buyers), in which it would be reasonable for the plaintiffs to defend, and in which, if it turned out that there was a breach of the warranty, the plaintiffs would lose, and that they would thereby necessarily incur costs. Costs incurred under such circumstances appear to me to fall within the second branch of the rule in *Hadley v. Baxendale*.

[37] On the issue of Invoice Nos. IN000702, IN000756, IN000790 and IN000756, I am of the view that the fact that they originate from another suit and amount to special damages which has to be specifically pleaded in the body of the statement of claim of the current suit. They are of a different category if compared with the legal costs to be awarded as part of an assessment of damages. The fact that the particulars are not pleaded in the body of the current suit defeats the claim. Secondly, I am guided by the finding of fact by my predecessor during the finding of liability wherein it is observed that D3 is not the mastermind behind the registration of the NAYATI mark by D1. It is also a finding of fact that "the plaintiff's contention(s) are laced with assumptions and hearsay evidence, having relied on evidence unilaterally furnished by D1 in the OS proceeding, which is a separate proceeding with this suit" (see: para. 42 of grounds of judgment dated 8 May 2023).

[38] I nevertheless allow Invoice Nos. IN000703 and 9128003745 as the exercise of the APO order was necessary in the discovery of D3's identity and involvement in the alleged conspiracy leading to the infringement of the plaintiff's mark. Despite not being identified as the mastermind, D3 was held to be involved in the conspiracy to injure and was found to have committed the tort of unlawful interference of trade against the plaintiff.

[39] On the issue of Invoice Nos. IN000726, IN000835, IN000876, IN000911 and IN001610, I am in agreement with D3's submission that the same have nothing to do with D3 and therefore unclaimable. Moreover, the

plaintiff had decided to withdraw their claim against D2, D4 and D5 with no order as to costs. Based on the available records, my predecessor did not issue any *Sanderson* or *Bullock* costs order (co-defendant costs order) for me to apply in the current assessment proceeding. (See: *Sanderson v. Blyth Theatre Co* [1903] 2 KB 533, and *Bullock v. London General Omnibus Co* [1907] 1 KB 264).

[40] On the issue of lack of pleading of those invoices which I allowed namely, Invoice Nos. IN000703, IN001181, IN001395, IN001414, IN001517 and 9128003745, I distinguish the case of *Lau Yang Kim v. Rescom Australia Sdn Bhd & Anor* (*supra*) as relied by D3 on the basis that legal fees were rejected by the High Court as the order of cost was only for general damages. Hence, it is proper for the court in that case to disallow the claim of legal fees as part of damages. Whilst the order of my predecessor pertains to a wider aspect which would include legal fees as damages that naturally flow out of D3's act of conspiracy to injure and unlawful interference with trade. As to the case of *Ong Ah Long v. Dr S Underwood* (*supra*) relied by D3, the same pertains to the lack of pleading of special damages based on a personal injury claim wherein the entire issue was decided upon full trial without any separate assessment of damages being held. Whereas in our case, the issue of assessment of damages is being conducted separately wherein parties were directed to file affidavit evidence. In doing so, the exact particulars and amounts of legal fees sought by way of special damages were set out in the plaintiff's affidavit in support which was filed before the assessment of damages. Thus, D3 had the opportunity to respond to the plaintiff's claims.

[41] I am also in agreement with the decision of Su Tiang Joo JC in *Ling Peek Hoe & Anor v. Ding Siew Ching & Ors* [2022] 7 CLJ 412; [2022] 12 MLJ 658. In that case, the plaintiffs filed a suit for fraud, and obtained a judgment for special damages, general damages as well as punitive and exemplary damages to be assessed. In coming to the decision that the plaintiffs are entitled to claim legal fees, the High Court addressed, among others, the sub-issues of (i) whether the plaintiffs can claim special damages for losses that were not specifically pleaded; and (ii) whether legal fees are claimable. The High Court held that whilst it recognised the established principle that parties are bound by their pleadings, substantive justice will not be served to have the claim for special damages dismissed purely on the pleading point. The High Court also found that the judgment given is clear on what damages were awarded for purposes of assessment. Further, the High Court held that as assessments were taken in a separate procedure, the exact particulars and amounts sought by way of special damages were set out in the plaintiffs' affidavits which were filed before the assessment of damages wherein documents were also bundled and exchanged. Thus, the defendants had the opportunity to respond to the claims.

Aggravated And Exemplary Damages

Counsels' Contentions On Aggravated And Exemplary Damages

[42] It is the submission of the plaintiff that D3 would have been fully aware of the plaintiff's goodwill and exclusive rights over the NAYATI mark; yet he had deliberately interfered with the full intention of injuring the plaintiff. It is argued that this fact shows malice or bad faith on the part of D3 which entitles the plaintiff to an award of aggravated damages in the sum of RM200,000. The case of *Rookes v. Barnard* [1964] 1 All ER 367 is relied upon to wherein it is argued that the award of aggravated damages is proper in "the class of case in which the injury to the plaintiff has been aggravated by malice or by the manner of doing the injury, that is, the insolence or arrogance by which it is accompanies".

[43] A further sum of RM200,000 is argued by the plaintiff to be reasonable to account for exemplary damages. This is argued to be in line with the case of *Lembaga Kemajuan Tanah Persekutuan (Felda) & Anor v. Awang Soh Mamat & Ors* [2009] 5 CLJ 1, where it is held that exemplary damages would be ordered when the conduct of the wrongdoer discloses malice, cruelty, fraud, and insolence. The case of *Soo Kian Huat v. Zenith Aim Sdn Bhd* [2016] CLJU 977; [2016] 1 LNS 977 is cited wherein Gunalan Muniandy JC (as he then was) referred to the case of *Chong Siew Chiang v. Chua Ching Geh & Anor* [1995] 1 CLJ 173; [1995] 1 MLJ 551, wherein Richard Malanjum J (as he then was) held as follows:

> Before considering any exemplary damages it must be considered first whether the sum in mind for compensatory damages would be adequate. If it is not, in view of the outrageous conduct of the defendant and to indicate disapproval of such conduct and as a deterrence, and additional sum may be added to bring the sum sufficient as punishment.

[44] D3's counsel argues that the plaintiff as a corporate entity cannot claim aggravated damages. The cases of *Raub Australian Gold Mining Sdn Bhd v. Mkini Dotcom Sdn Bhd & Ors* [2018] CLJU 62; [2018] 1 LNS 62; [2018] 6 MLRA 388; *OCBC Bank (Malaysia) Bhd v. Prolink Marketing Sdn Bhd & Another Appeal* [2023] 3 CLJ 328; [2023] 3 MLRA 589 and *Sambaga Valli KR Ponnusamy v. Datuk Bandar Kuala Lumpur & Ors And Another Appeal* [2017] CLJU 500; [2017] 1 LNS 500; [2018] 3 MLRA 488 are cited to argue that a company, as a corporate entity, can only recover general damages but not aggravated damages.

[45] In terms of exemplary damages, D3 argues that they are unfounded because D3 has never offered for sale or sold any product containing the plaintiff's mark. The case of *Tradewinds Properties Sdn Bhd v. Zulhkiple A Bakar & Ors* [2019] 2 CLJ 261; [2019] 1 MLRA 238 is cited to argue that the present case belongs to the second category of cases warranting exemplary damages. In this category, such relief can only be awarded if it is demonstrated that the defendant has indeed realised a profit that surpasses the compensation owed to the plaintiff.

[46] D3 argues that in the current case, the plaintiff failed to prove that D3 have made a profit for themselves; a failure of which is fatal in the plaintiff's claim for exemplary damages.

Court's Findings On Aggravated And Exemplary Damages

[47] Aggravated damages fall within the compensatory framework and refer to the aggravation – etymologically, the making more serious – of injury caused to the plaintiff by the defendant's conduct where a basic award would be inadequate. In particular, they are ordered to compensate for the shock, distress, outrage and similar emotions experienced by the plaintiff as a result of the aggravating features of the case. Given the function of aggravated damages on the one hand and the nature of the plaintiff herein as a corporation, it would seem unprincipled for such an element to be available to the plaintiff.

[48] Although not a case on aggravated damages *per se*, *In Re Lindsay Bowman Ltd* [1969] 1 WLR 1443, an action was brought by a contributory and a company to restore the company, which had been struck off, to the register. The relevant part of s. 353(6) of the UK Companies Act 1948 reads: 'If **a company** or any member or creditor thereof feels aggrieved by the company having been struck off the register, the court on an application made by the company or member or creditor' (emphasis added), may, among other things, order the name of the company to be restored to the register. Megarry J ruled:

> In obedience to Parliament, I must assume that the artificial and impersonal entity that we know as a limited company has been endowed with the capacity not merely of having feelings but also of feeling aggrieved even though it has ceased to exist.

[49] We have similarly-worded sections in the Companies Act 2016 which implies some form of feelings by a corporation. This can be seen, for example, in s. 325 of the Act:

> 325(1) A company shall not be required to circulate a member's statement under section 324 if, on an application by **the company** or any person **who claims to be aggrieved**, the Court is satisfied that the rights conferred by section 323 are being abused to secure needless publicity or the matter is defamatory, frivolous or vexatious or in the circulation would not be in the best interest of the company. (emphasis added)

[50] Similar reference of a company being considered "aggrieved" can be seen in ss. 207(5), 277(6), 279(6), 283(7) and 305(1) of the Companies Act 2016.

[51] I also refer to the effect of s. 540(1) of the Companies Act 2016 wherein a company can be found liable for fraudulent trading based on the principle of attribution of knowledge of the persons involved in such fraudulent act. As per the English Court of Appeal case of *Morris And Others v. Bank Of India* [2005] EWCA Civ 693, the 'attribution of knowledge'

principle simply is that the knowledge of the individual person can be attributed as being the knowledge of the company, thereby rendering that the company itself can be sued as a body corporate under the fraudulent trading provision.

[52] *McPhearson's Law of Company Liquidation* (2nd edn) states as follows:

> Unlike the wrongful trading provision, which states that only directors are liable, any persons who are knowingly parties to the fraudulent trading are potentially liable. While it is probable, certainly based on history, that most likely respondents to an action will be the directors and other officers of the company, with the executive directors being the primary candidate, *persons who are not involved in the running of the company might be liable*, although this will not, it is submitted, be a common occurrence. *Holding companies may be held liable if they are actively involved in the affairs of the subsidiary*, particularly where there was some active encouragement on the part of the holding company for the subsidiary to conduct its business in a fraudulent manner.
>
> Notwithstanding the fact that it is the directors of the company that is in liquidation that will be the usual respondents to any fraudulent trading case, *the provisions is in fact quite wide, as anyone who was knowingly a party to the carrying on of a business of a company with intent to defraud creditors can be the subject of proceedings, and this can include companies. The respondent does not have to be someone who performed a managerial or controlling role in the company in liquidation. In fact, the language of s. 213(2) might point towards persons who were not employed by the company, but were in fact outsiders*. So, in fact, in *Gerald Cooper Chemicals Ltd, Re* [1978] 2 WLR 866] a creditor was held liable, and in *Morris v. Bank of India* [2005] EWCA (Civ) 693, CA] a bank was found liable. *Similarly, it has been said that a company or other entity that was involved in and assisted and benefited from the action that was fraudulent, and did so knowingly, could be a respondent. Outsider respondents need not know all of the details of any fraudulent action perpetrated by the company or how the fraud was to be carried out before they are held liable, provided that they knew, either from their own observations of what was being done or from what they were told, that the company was intending to carry out a fraud on creditors*.
>
> (emphasis added)

[53] If the statute permits for the attribution of knowledge to a company 'knowingly' involved in a fraudulent trading, is the imputation of 'aggrieved' or injured feelings on a corporate claimant is equally tenable when considering the company's state of mind in such matters? To me, the imputation of 'aggrieved' or injured feelings on a corporate claimant involves recognising or attributing a certain emotional state to the corporate entity. On the other hand, statutory provisions allowing for the attribution of knowledge to a company 'knowingly' involved in fraudulent trading focus on the company's awareness or understanding of its involvement in fraudulent activities. While both concepts involve some level of cognition, they operate in different domains – feelings in the emotional and subjective realm, and knowledge in the cognitive and factual realm.

[54] Then again, the existence of a reference to the state of mind of a corporate entity within the statutes, whether as a claimant or defendant, shows that the law recognises the significance of attributing mental states to corporations in order to establish responsibility, accountability, liability and possibly even injured feelings. This acknowledgment may be indicative of a legal framework evolving to encompass a more nuanced understanding of corporate behaviour, blurring the traditional lines that separate the legal treatment of individuals and corporations in matters of intent and mental states.

[55] The case of *Shah v. Gale And Ashley v. Chief Constable Of Sussex Police* [2005] EWHC 1087 lead one to question of whether aggravated damages are truly confined to injury to feelings. This suit was initiated by the mother (and administratix) of Naresh Shah, who suffered an assault at his residence. The assailants forcefully entered the victim's home, subsequently inflicting multiple stab wounds upon him. Notably, aggravated damages were granted, notwithstanding the fact that the victim was subjected to immediate fatality. As Leveson J held:

> Because he was immediately murdered, there is no scope for injury to personality but it is difficult to think of behaviour which is more serious than the attack upon Mr Shah's home ... [T]hese aggravated damages are not being awarded in respect of the murder of Mr Shah but only for the circumstances in which he was assaulted and no more ... Notwithstanding that this incident was over very quickly, having regard to all the circumstances, I award £2,000.

[56] Similarly, in *Koperal Zainal Mohd Ali & Ors v. Selvi Narayan (Pentadbir Bersama Estet Dan Tanggungan Chandran Perumal, Si Mati) & Anor* [2021] 6 CLJ 157; [2021] 3 MLJ 365, the Federal Court did not rule out the defendants' potential liability for aggravated damages for the death of the plaintiff. In this instance, the Federal Court substituted the initially awarded exemplary damages (which was barred by s. 8(2)(a) of the Civil Law Act 1956) with aggravated damages, even though the plaintiff passed away five days after being arrested. Rhodzariah Bujang FCJ cited *McGregor on Damages*, 19th edn at p. 1653 which states as follows:

> Aggravated damages come into the picture where the injury to the claimant's feelings is increased by the flagrancy, **malevolence and the particularly unacceptable nature of the assaulting defendant's behaviour**. (emphasis added)

[57] Therefore, relying on the aforementioned cases, it cannot be asserted that aggravated damages are contingent solely upon mental state. The courts seem undeterred from awarding aggravated damages, even in situations where the plaintiff experiences minimal or brief distress.

[58] In the case of *Messenger Newspapers Group Ltd v. National Graphical Association* [1984] IRLR 397, the English Court of Appeal was directly faced with the question of whether an award of aggravated damages was

appropriate to a corporate claimant. The case was one on unlawful interference with business, nuisance (both private and public) and intimidation. Caulfield J stated:

> Certainly exemplary and aggravated damages can be awarded against inanimate legal entities like limited companies, and I cannot see any reason why the same legal entities cannot be awarded aggravated and exemplary damages.

[59] He thus ruled in favour of an award, having regard to the fact that it was companies generally – though not invariably – that were the sort of claimants that suffered damage from intimidation by trade unions and – invariably – unlawful interference with business.

[60] In addition, Caulfield J pointed to the fact that the defendant was reckless in pursuit of its intentions to close down the claimant's business and/or enforce a closed shop, and this it did in defiance of court orders and with open arrogance. In calculating the aggravated amount due, Caulfield J approached the question of quantum from the perspective of 'the manner of the doing of the injury' and proceeded to award £10,000 in aggravated damages but not without first having 'eliminated human feelings' from his award thus supporting the argument that corporations do not have feelings.

[61] There is nevertheless a conflicting English Court of Appeal decision in *Eaton Mansions (Westminster) Ltd v. Stinger Compania De Inversion SA* [2013] EWCA Civ 1308 which held that a company could not recover aggravated damages. In doing so, the court held that *Messenger Newspapers Group Ltd v. National Graphical Association* (*supra*) had, in this regard, been wrongly decided. (See also: *Collins Stewart Ltd & Another v. The Financial Times Ltd* (No 2) [2005] EWHC 262).

[62] I believe that the injured feelings experienced by the plaintiff is just one facet to be considered in assessing aggravated damages. The crucial factor lies in whether the harm inflicted on the plaintiff has been intensified by malice or by the manner in which the injury was perpetrated – specifically, the insolence or arrogance accompanying it. Hence, applying the approach of the English Court of Appeal in *Messenger Newspapers Group Ltd v. National Graphical Association* (*supra*), I am of the view that the plaintiff herein is entitled to aggravated damages. I rule that the amount of RM100,000 reflects the severity of the injury, taking into account the malice or insolence accompanying the wrongful conduct specific to the facts of this case.

[63] As to exemplary damages, Lord Devlin in the case of *Rookes v. Barnard* (*supra*), propounded two categories of circumstances where exemplary damages could be awarded:

(i) oppressive, arbitrary or unconstitutional action by the servants of the Government; and

(ii) cases where the defendant's conduct had been calculated by him to make a profit for himself, which may well exceed the compensation payable to the plaintiff.

[64] The claim for exemplary damages by the plaintiff in our case falls in the second category, wherein the central issue is whether the plaintiff has to prove that D3 had actually profited from the tort before exemplary damages can be awarded. It is D3's position that since the plaintiff was unable to prove the sale and availability of the infringing product in the market, there is no actual proof that D3 had profited from the tort of passing off, conspiracy to injure, and the unlawful interference with the plaintiff's trade.

[65] It is observed that although the Federal Court in the case of *Tradewinds Properties Sdn Bhd v. Zulhkiple A Bakar & Ors* (*supra*) held that "in claiming exemplary damages under the second category, the plaintiff must be able to prove that the defendants have made a profit for themselves", the source of the Federal Court's observation is the *dicta* of Lord Devlin in *Rookes v. Barnard* (*supra*). Therefore, the relevant judgment of Lord Devlin is repeated herein to provide a comprehensive understanding of its context:

> (ii)(a) English law recognized the awarding of exemplary damages, that is, damages whose object was to punish or deter and which were distinct from aggravated damages (whereby the motives and conduct of the defendant aggravating the injury to the plaintiff would be taken into account in assessing compensatory damages); and there were two categories of cases in which an award of exemplary damages could serve a useful purpose, *viz*, in the case of oppressive, arbitrary or unconstitutional action by the servants of the government, and in the case **where the defendant's conduct had been calculated by him to make a profit for himself, which might well exceed the compensation payable to the plaintiff**. (emphasis added)
>
> (page 369, letters B & C)

[66] In this context, it is evident that a plaintiff is not required to establish that the defendant has definitively gained from the tort. The use of the phrases "had been calculated" and "might well exceed" indicates that the plaintiff's obligation is only to demonstrate the likelihood that D3 could benefit from the committed tort.

[67] Further, the following passage of Lord Devlin's judgment in *Rookes v. Barnard* (*supra*) is instructive as to the scope of the second category of cases under exemplary damages:

> Where a defendant with a cynical disregard for a plaintiff's rights **has calculated** that the money to be made out of his wrongdoing **will probably exceed** the damages at risk, it is necessary for the law to show that it cannot be broken with impunity. **This category is not confined to moneymaking in the strict sense. It extends to cases in which the defendant is seeking to gain at the expense of the plaintiff** some object, – perhaps some property which he covets, – which either he could not

> obtain at all or not obtain except at a price greater than he wants to put down. Exemplary damages can properly be awarded whenever it is necessary to teach a wrongdoer that tort does not pay.
>
> (emphasis added)

(p. 410, letter I and p. 411, letter A).

[68] Firstly, the use of the phrases "has calculated" and "will probably exceed" underscores that the plaintiff's burden is merely to demonstrate the potential for profit, rather than the actual realisation of profit. Secondly, the second category of cases is not limited to strict monetary gains. As per Lord Devlin's perspective, it encompasses situations where the defendant is actively attempting to benefit at the expense of the plaintiff. This interpretation is applicable to our case, where D3 has taken actions beyond mere preparation, aiming to achieve the intended outcome of capitalising on the goodwill associated with the plaintiff's NAYATI mark.

[69] I am of the view that what D3 did was to damage the value of the goodwill of the plaintiff's mark. Instead of benefiting from exclusive rights to their property, the plaintiff found that D3 was squatting on it. The plaintiff's ability to enjoy the full extent of their goodwill is compromised by D3's use of the reputation or goodwill as he likes. As the plaintiff had been using the NAYATI mark for seven years prior to the infringement, they had required valuable reputation or goodwill wherein the law of passing off will protect it from unlicensed use and the bad faith registration by D3 (through D1) who mistakenly believed that our legal system adheres to the first-to-file principle.

[70] Such unlawful use by D3 is damaging in the direct sense that it involved the promotion of D1's products under the guise that they are from the plaintiff. From the evidence, the plaintiff had to endure four years of litigation to remove the bad faith registration of their NAYATI mark at MyIPO. The evidence also reveals that D3 placed an order for packaging stickers bearing the NAYATI mark from D2, with the intention of applying them to D1's product. The insidious nature of D3's action is far from subtle, and it unquestionably runs counter to the public interest. Therefore, I am of the view that the sum of RM100,000 as exemplary damages is adequate to teach D3 that tort does not pay.

Decision

[71] After considering the facts and circumstances presented in the affidavit evidence, it is therefore ordered that D3 shall pay the plaintiff the total sum of RM492,783.96 as damages with interest at 5% per annum on the judgment sum to be calculated from 7 November 2022 until full realisation; together with costs of RM5,000.